

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-11 ISO-00 NEA-14 IO-14 H-03 L-03 PRS-01

PA-04 USIA-15 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 SS-20 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-03 INR-11 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

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USADB

FOR NAC AGENCIES

E.O. 11652: DECLAS 6/30/75

TAGS: EAID, EFIN

SUBJ: CRITERIA FOR LENDING FROM ASIAN DEVELOPMENT FUND

REF: MANILA 7436

1. IN FIRST ROUND DELIBERATION ON WORKING PAPER ENTITLED
"CRITERIA FOR LENDING FROM THE ASIAN DEVELOPMENT FUND"
(ADF), GENERAL BOARD CONSENSUS WAS TO SUPPORT MANAGEMENT
PROPOSAL. REGARDING SPECIFIC TESTS TO BE APPLIED IN
DETERMINING DEVELOPING MEMBER COUNTRIES' (DMC'S) ADF
ELIGIBILITY, DISCUSSION CENTERED AROUND RATIONALE
BEHIND CUT OFF POINT OF US\$300 PER CAPITA GNP FIGURE
AND WHETHER OR NOT MORE RECENT DATA THAN 1972 SHOULD
BE CONSIDERED. STAFF RESPONSE WAS THAT US\$300 FIGURE,
\$75 LESS THAN IDA BENCHMARK, WAS BASED ON CONSTRAINTS ON
SPECIAL FUNDS AVAILABILITY AND THAT 1972 GNP STATISTICS
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ARE LATEST FIGURES AVAILABLE FOR ALL BORROWING MEMBER

COUNTRIES ON COMPARABLE BASIS. BOARD MEMBERS AGREED IN GENERAL THAT BRITISH SOLOMON ISLANDS AND PAPUA NEW GUINEA APPEARED ENTITLED TO SPECIAL TREATMENT ALTHOUGH THEIR PUBLISHED GNP PER CAPITA FIGURES WOULD CLASSIFY THEM AS "Marginally Eligible" AND THAT REPAYMENT CAPACITY OF DMCS SHOULD BE GIVEN DUE CONSIDERATION IN ASSESSING ELIGIBILITY. MATTER OF ABSORPTIVE CAPACITY, LISTED IN WORKING PAPER AS ONE OF THREE TESTS, RECEIVED WIDE ATTENTION WITH MOST DIRECTORS SUGGESTING TO MANAGEMENT CAUTIOUS APPLICATION OF THIS CONCEPT SINCE UNDUE STRESSING OF THIS POINT COULD RESULT IN LESSER-DEVELOPED MEMBER COUNTRIES NOT RECEIVING NECESSARY ASSISTANCE ON ACCOUNT OF LOW CAPACITY TO ABSORB. MANAGEMENT STRESSED THAT BANK INTENDS TO BE ACTIVE WITH BANK'S TECHNICAL ASSISTANCE PROGRAM TO IMPROVE ABSORPTIVE CAPACITY OF DMCS IN QUESTION.

2. U.S. ALTERNATE DIRECTOR ACTING WITHOUT INSTRUCTION SUPPORTED \$300 CUT OFF POINT AS WELL AS USING 1972 GNP PER CAPITA FIGURE AS STARTING POINT WITH UNDERSTANDING THAT WHEN 1973 FIGURES BECOME AVAILABLE THERE WILL BE ANOTHER REVIEW OF MATTER. U.S. ALTERNATE DIRECTOR ALSO INQUIRED IF BANK MANAGEMENT INTENDED TO ASSIGN SOME NUMERICAL AND WEIGHTED VALUE TO THESE TESTS TO COME UP WITH SOME KIND OF OVERALL ELIGIBILITY QUOTIENT. PRESIDENT INDICATED THAT HOW THESE TESTS WILL BE APPLIED IN ACTUAL OPERATION WOULD BECOME MORE EVIDENT WHEN COUNTRY PROGRAM IN FORM OF BOARD INFORMATION PAPER, WHICH IS CURRENTLY UNDER PREPARATION, IS CIRCULATED TO BOARD. ON MATTER OF ABSORPTIVE CAPACITY, U.S. ALT. DIR. AGREED WITH OTHER DIRECTORS THAT THIS VERY TRICKY TEST TO APPLY AND INDICATED THAT BANK SHOULD DO ALL IT CAN TO IMPROVE ABSORPTIVE CAPACITY OF LESSER-DEVELOPED MEMBER COUNTRIES.
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